

TOWNSHIP OF ALBEE
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Albee Township	County	SAGINAW	Type	TOWNSHIP	MuniCode	
Opinion Date-Use Calendar	June 24, 2008	Audit Submitted-Use Calendar	July 19, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="\$313,645"/>
General Fund Expenditure:	<input type="text" value="\$364,177"/>
Major Fund Deficit Amount:	<input type="text"/>

General Fund Balance:	<input type="text" value="\$96,654"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="4500,268"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Barry	Last Name	Gaudette	Ten Digit License Number	1101011050		
CPA Street Address	3994 Sherwood Forest Drive	City	Traverse City	State	MI	Zip Code	49686
CPA Firm Name	Barry E. Gaudette, CPA, PC	Unit's Street Address	731 S. Garfield Ave.	City	Traverse City	LU Zip	49686

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INTRODUCTORY SECTION

TOWNSHIP OF ALBEE
LIST OF ELECTED OFFICIALS
MARCH 31, 2008

ELECTED OFFICIALS

Leon Turnwald	Supervisor
Thomas J. Gasser	Clerk
Ron Kulhanek	Treasurer
Gary Briggs	Trustee
Doris Wasmiller	Trustee

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Albee
Saginaw County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Albee, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Albee, Michigan's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Albee, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Township of Albee
Independent Auditors' Report
Page Two

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Barry E. Flanigan, CPA, PC

June 24, 2008

BASIC FINANCIAL STATEMENTS

Township of Albee
Government-Wide Financial Statements
Statement of Net Assets
March 31, 2008

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 134,238
Receivables	19,685
Restricted cash	62,151
Prepaid expenses	6,849
Due from other funds	717
Capital assets (net of accumulated depreciation):	
Land and improvements	156,411
Buildings and improvements	569,565
Dikes	<u>95,401</u>
Total assets	<u>1,045,017</u>
LIABILITIES	
Accounts payable	11,473
Noncurrent liabilities:	
Due within one year	68,528
Due in more than one year	<u>431,740</u>
Total liabilities	<u>511,741</u>
NET ASSETS	
Invested in capital assets, net of related debt	321,109
Unrestricted	<u>212,167</u>
Total net assets	<u>\$ 533,276</u>

See notes to financial statements

Township of Albee
Government-Wide Financial Statements
Statement of Activities
For the Year Ended March 31, 2008

Functions /Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative General	\$ 68,075	\$	\$	\$
Government	99,503	45,050	18,703	
Public safety	60,219	8,220	1,586	42,550
Public works	141,169	84,525	2,614	26,955
Health & welfare	228			
Community/ economic development	2,145			
Other	6,219			
Interest on long-term debt	27,291			
Total governmental activities	\$ 404,849	\$137,795	\$ 22,903	\$ 69,505

General revenues:

Property taxes & administrative fees
Trailer taxes
State revenue sharing
Interest earnings
Miscellaneous
Sale of cemetery lots
Refunds

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

**Net (Expense)
Revenue and
Changes in
Net Assets**

**Governmental
Activities**

\$ (68,075)

(35,750)

(7,863)

(27,075)

(228)

(2,145)

(6,219)

(27,291)

(174,646)

69,802

900

160,854

2,503

2,266

625

3,052

240,002

65,356

467,920

\$ 533,276

Township of Albee
Balance Sheet
Governmental Funds
March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire & Police</u>
ASSETS				
Cash and cash equivalents	\$ 27,666	\$	\$ 89,312	\$17,260
Receivables	4,825		9,660	5,200
Restricted cash	62,151			
Prepaid expenses	6,849			
Due from other funds	<u>717</u>	<u></u>	<u></u>	<u></u>
Total assets	<u>\$ 102,208</u>	<u>\$</u>	<u>\$ 98,972</u>	<u>\$22,460</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 5,554	\$	\$ 5,919	\$
Total liabilities	<u>5,554</u>	<u></u>	<u>5,919</u>	<u></u>
Fund balances:				
Reserved for:				
Community Center	62,151			
Unreserved,				
reported in:				
General fund	34,503			
Refuse collection			93,053	
Fire station				<u>22,460</u>
Total fund balances	<u>96,654</u>	<u></u>	<u>93,053</u>	<u>22,460</u>
Total Liabilities and Fund Balances	<u>\$ 102,208</u>	<u>\$</u>	<u>\$ 98,972</u>	<u>\$22,460</u>

See notes to financial statements

**Total
Governmental
Funds**

\$ 134,238
19,685
62,151
6,849

717

\$ 223,640

\$ 11,473

11,473

62,151

34,503

93,053

22,460

212,167

\$ 223,640

Township of Albee
Reconciliation of the Governmental Funds
Balance Sheet
With the Statement of Net Assets
March 31, 2008

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 212,167
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	1,255,297
Accumulated depreciation	(433,920)

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(500,268)</u>
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Total Net Assets - Governmental Activities	<u>\$ 533,276</u>
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See notes to financial statements

Township of Albee
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire & Police</u>
REVENUES				
Tax revenues:				
Taxes & adm. fees	\$ 69,802	\$	\$	\$
Trailer taxes	900			
Licenses & permits	8,220			
Intergovernmental revenue from federal government:				
Public safety	647			
Intergovernmental revenue from state:				
State revenue sharing	160,854			
Liquor license fees	939			
Annual maintenance fee	2,614			
Interest and rents:				
Interest earnings	611		1,892	
Rents	45,050			
Other revenue:				
Miscellaneous	1,628		638	
Special assessments		26,955	84,525	42,550
Sale of cemetery lots	625			
Public and private contributions	18,703			
All other refunds	3,052			
Total revenues	<u>313,645</u>	<u>26,955</u>	<u>87,055</u>	<u>42,550</u>
EXPENDITURES				
Current:				
Legislative	68,075			
General government	85,231			
Public safety	53,210			
Public works	134,103			
Health & welfare	228			
Community/economic development	2,145			
Other	6,219			
Capital outlays	14,966			
Debt service:				
Principal		117,164		
Interest		27,291		

**Total
Governmental
Funds**

\$ 69,802
900
8,220

647

160,854

939

2,614

2,503
45,050

2,266
154,030

625

18,703
3,052

470,205

68,075
85,231
53,210
134,103
228

2,145
6,219
14,966

117,164
27,291

Township of Albee
Statement of Revenues, Expenditures, and Changes
in Fund Balance
Governmental Funds
For the Year Ended March 31, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Refuse Collection</u>	<u>Fire & Police</u>
Total expenditures	<u>364,177</u>	<u>144,455</u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over (under) expenditures	<u>(50,532)</u>	<u>(117,500)</u>	<u>87,055</u>	<u>42,550</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	107,000	117,500		
Transfers (out)	<u>(39,000)</u>	<u> </u>	<u>(107,000)</u>	<u>(78,500)</u>
Total other financing sources (uses)	<u>68,000</u>	<u>117,500</u>	<u>(107,000)</u>	<u>(78,500)</u>
Net changes in fund balances	17,468		(19,945)	(35,950)
Prior period adjustment				5,264
Fund balances - beginning	<u>79,186</u>	<u> </u>	<u>112,998</u>	<u>53,146</u>
Fund balances - ending	<u>\$ 96,654</u>	<u>\$ </u>	<u>\$ 93,053</u>	<u>\$ 22,460</u>

See notes to financial statements

**Total
Governmental
Funds**

508,632

(38,427)

224,500
(224,500)

(38,427)

5,264

245,330

\$ 212,167

Township of Albee
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balance of Governmental Funds
to the Statement of Activities
For the Year Ended March 31, 2008

Amounts reported for governmental activities in the statement of activities are different because:

Total net change in fund balances -	
total governmental funds	\$(38,427)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. The capital outlay was \$14,966 and depreciation was \$28,347.	(13,381)
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	<u>117,164</u>
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Change in net assets of governmental activities	<u>\$ 65,356</u>
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See notes to financial statements

Township of Albee
Statement of Fiduciary Funds
Fiduciary Funds
March 31, 2008

	<u>Tax Collection Fund</u>
ASSETS	
Cash and cash equivalents	\$ 717
Total assets	<u>717</u>
LIABILITIES	
Due to other funds	<u>717</u>
NET ASSETS	
Held in trust for other purposes	<u>\$</u>

See notes to financial statements

Township of Albee
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended March 31, 2008

	<u>Tax Collection Fund</u>
ADDITIONS	
Property tax collections, special assessments and fees	<u>\$1,550,795</u>
Total additions	<u>1,550,795</u>
DEDUCTIONS	
Payments to general fund	69,802
Payments to garbage fund	84,525
Payments to fire & police fund	42,550
Payments to other governmental units	<u>1,353,918</u>
Total deductions	<u>1,550,795</u>
Changes in net assets	
Net assets - beginning	<u> </u>
Net assets - ending	<u><u>\$ </u></u>

See notes to financial statements

Township of Albee
Notes to the Financial Statements
March 31, 2008

I. Summary of significant accounting policies

The financial statements of the Township of Albee (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-wide financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2007 real taxable valuation of the Township totaled \$52,692,046, on which ad valorem taxes levied consisted of .9677 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes, applicable interest, and personal property taxes.

C. Measurement focus, basis of accounting and financial statement presentation (Continued)

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *refuse collection fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *fire & police fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Township reports the following fiduciary fund:

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Short-term interfund receivables/payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

3. Receivables and payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Restricted assets

Certain resources of the Township's general fund set aside for the repayment of Community Center loans, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable loan covenants.

D. Assets, liabilities, and net assets or equity (Continued)

5. Capital assets

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	15-40
Flint River Dikes	15
Machinery and equipment	5

6. Compensated absences

The Township does not have a compensated absence policy.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

8. Fund equity

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Comparative data/reclassifications

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

II. Stewardship, compliance, and accountability

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund. The Township does not adopt a separate budget for the Special Revenue Funds.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

B. Excess of expenditures over appropriations

For the year ended March 31, 2008, expenditures exceeded appropriations in the activities of the legislative, inspectors & zoning administration, water study, roads & drains, street lights, and capital outlays (the legal level of budgetary control) of the general fund by \$2,083, \$2,770, \$12,247, \$6,836, \$36, and \$14,966 respectively. These overexpenditures were funded by the available fund balance in the general fund.

III. Detailed notes on all funds

A. Cash and investments

Deposits

The Township's policies regarding deposits of cash are discussed in Note 1. The table presented below is designed to disclose the level of custody credit risk assumed by the Township based upon how its deposits were insured or secured with collateral at March 31, 2008. The categories of credit risk are defined as follows:

Category 1 - Insured by FDIC or collateralized with securities held by the Township(or public trust) or by its agent in its name.

Category 2 - Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 - Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Township's name; or collateralized with no written or approved collateral agreement.

	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$185,922	\$185,922	\$	\$	\$185,768
Savings	4,024	4,024			4,024
CD	<u>7,314</u>	<u>7,314</u>			<u>7,314</u>
Total	<u>\$197,260</u>	<u>\$197,260</u>	<u>\$</u>	<u>\$</u>	<u>\$197,106</u>

Investments

The Township did not have any investments.

A. Cash and investments (Continued)

A reconciliation of cash as shown on the statements of net assets follows:

Carrying amount of deposits	<u>\$ 197,106</u>
Cash and cash equivalents:	
General fund-unrestricted	\$ 27,820
General fund-restricted	62,151
Refuse collection fund	89,312
Fire & police fund	17,260
Tax Collection fund	717
Checks written in excess of deposits	<u>(154)</u>
Total	<u>\$ 197,106</u>

B. Receivables

The Township is owed delinquent property taxes from the County of Saginaw in the amount of \$4,825. The County also owes the delinquent special assessments of \$5,200 to the Township for the Fire & Police Fund and collection fees of \$9,660 for the Refuse Collection Fund.

C. Capital assets

Capital asset activity for the year ended March 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land & improvements	<u>\$ 156,411</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 156,411</u>
Capital assets, being depreciated:				
Buildings & improvements:				
Community center	550,900	14,966		565,866
Fire station	280,392			280,392
Flint River Dikes	106,000			106,000
Machinery & equipment:				
Office	5,328			5,328
Parks	25,091			25,091
Fire	113,960			113,960
Township hall	1,634			1,634
Other	<u>615</u>	<u>_____</u>	<u>_____</u>	<u>615</u>
Total capital assets being depreciated	<u>1,083,920</u>	<u>14,966</u>	<u>_____</u>	<u>1,098,886</u>

C. Capital assets (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings & improvements:				
Community center	(220,362)	(14,272)		(234,634)
Fire station	(35,050)	(7,009)		(42,059)
Flint River Dikes	(3,533)	(7,066)		(10,599)
Machinery & equipment:				
Office	(5,328)			(5,328)
Parks	(25,091)			(25,091)
Fire	(113,960)			(113,960)
Township hall	(1,634)			(1,634)
Other	(615)			(615)
 Total accumulated depreciation	 (405,573)	 (28,347)		 (433,920)
 Total capital assets, being depreciated, net	 678,347	 (13,381)		 664,966
 Governmental activities capital assets, net	 \$ 834,758	 \$(13,381)	 \$	 \$ 821,377

Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 14,272
Public safety	7,009
Public works	<u>7,066</u>

Total depreciation expense-governmental activities	<u>\$ 28,347</u>
--	------------------

D. Interfund receivables, payables, and transfers

Interfund transfers:

	<u>Transfer In:</u>		
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer out:			
General fund	\$	\$ 39,000	\$ 39,000
Refuse collection fund	107,000		107,000
Fire & police fund		<u>78,500</u>	<u>78,500</u>
 Total transfers out	 <u>\$ 107,000</u>	 <u>\$117,500</u>	 <u>\$224,500</u>

D. Interfund receivables, payables, and transfers (Continued)

The composition of interfund balances as of March 31, 2008, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Tax collection	<u>\$ 717</u>

E. Long-term debtNotes Payable

The Township has borrowed funds to provide to provide funds for the acquisition and construction of major capital facilities. Notes payable issued for governmental activities and are recorded in the general fund and the fire & police fund. The original amount of the loans issued in prior years was \$780,392.32.

General obligation notes are direct obligations and pledge the full faith and credit of the government. These notes were issued for between a 5 to 22 year payment schedule. The principal maturing each year varies. General obligation notes currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Governmental activities	4.62%-4.75%	<u>\$ 500,268</u>

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending <u>March 31</u>	<u>Community Center Building</u>		<u>Fire Station Building</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 20,969	\$ 18,031	\$ 37,904	\$ 876
2010	358,639	17,035		
Total	<u>\$ 379,608</u>	<u>\$ 35,066</u>	<u>\$ 37,904</u>	<u>\$ 876</u>

Year Ending <u>March 31</u>	<u>Flint River Flood Control</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 9,655	\$ 3,823
2010	10,101	3,377
2011	10,567	2,911
2012	11,056	2,422
2013	11,566	1,912
2014-2016	29,811	2,426
Total	<u>\$ 82,756</u>	<u>\$ 16,871</u>

E. Long-term debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended March 31, 2008, was as follows:

	<u>Beginning Balance</u>	<u>Additions (Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental				
activities:				
Notes payable:				
Flint River				
Flood				
Control	\$ 106,000	\$ (23,244)	\$ 82,756	\$ 9,655
Community				
Center	400,682	(21,074)	379,608	20,969
Fire Station	<u>110,750</u>	<u>(72,846)</u>	<u>37,904</u>	<u>37,904</u>
	<u>\$ 617,432</u>	<u>\$ (117,164)</u>	<u>\$ 500,268</u>	<u>\$ 68,528</u>

F. Restricted assets

The Township originally had a General Obligation Bond with the Federal Government for the repayment of the bonds used for the construction of the Community Center Building on April 1, 1991. Terms of the bond required that money be reserved for the repayment of the bonds.

On April 7, 2003, the bonds were remortgaged with Montrose State Bank.

The Township has in checking, savings and certificate of deposits a total of \$62,151 as of March 31, 2008.

V. Other information

A. Risk management

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation).

The Township has purchased commercial insurance for all risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

B. Pension plan

The Township does not provide a pension plan for its employees.

C. Prior period adjustment

The Fire & Police Fund beginning fund balance as of March 31, 2008 had to be increased by \$5,264 for a March 31, 2007 deposit made.

Required Supplementary Information

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with Final Budget Positive (Negative)</u>
REVENUES				
Tax revenues:				
Property taxes and related fees	\$ 70,000	\$ 70,000	\$ 69,802	\$ (198)
Trailer taxes	900	900	900	
Licenses & permits	7,500	7,500	8,220	720
Intergovernmental revenue from federal government:				
Public safety	200	200	647	447
Intergovernmental revenue from state:				
State revenue sharing	161,000	161,000	160,854	(146)
Liquor license fees	1,000	1,000	939	(61)
Annual maintenance fee			2,614	2,614
Interest and rents:				
Interest earnings	100	100	611	511
Rents	40,000	40,000	45,050	5,050
Other revenue:				
Miscellaneous	2,000	2,000	1,628	(372)
Sale of cemetery lots	500	500	625	125
Public and private contributions	2,500	2,500	18,703	16,203
All other refunds	<u>1,750</u>	<u>1,750</u>	<u>3,052</u>	<u>1,302</u>
Total revenues	<u>287,450</u>	<u>287,450</u>	<u>313,645</u>	<u>26,195</u>
EXPENDITURES				
Current:				
Legislative:				
Board salaries	32,242	32,242	32,093	149
Attorney fees	4,000	4,000	2,833	1,167
Training and conference	3,500	3,500	3,011	489
CPA/auditor	3,700	3,700	3,800	(100)
Printing tax bills	3,800	3,800	4,225	(425)
News publications	1,800	1,800	1,846	(46)
Secretary wages	10,000	10,000	10,975	(975)
Office equipment repairs & supplies	3,000	3,000	2,642	358

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED) :				
Current:				
Legislative (continued):				
Association dues	1,200	1,200	1,176	24
Trailer fees	750	750	750	
Miscellaneous	<u>2,000</u>	<u>2,000</u>	<u>4,724</u>	<u>(2,724)</u>
Total legislative	<u>65,992</u>	<u>65,992</u>	<u>68,075</u>	<u>(2,083)</u>
General government:				
Supervisor expenses	750	750	83	667
Elections	3,000	3,000	2,610	390
Clerk expenses	1,000	1,000	739	261
Board of review	675	675	675	
Assessor	14,500	14,500	13,711	789
Treasurer expenses	3,800	3,800	3,536	264
Board of appeals	90	90		90
Hall and grounds:				
Wages	10,000	10,000	11,596	(1,596)
Supplies	1,500	1,500	2,055	(555)
Telephone	3,000	3,000	3,274	(274)
Insurance	20,000	20,000	19,296	704
Mowing	8,500	8,500	7,893	607
Snow removal	2,000	2,000	4,730	(2,730)
Utilities	10,000	10,000	10,914	(914)
Repairs & maintenance	9,500	9,500	2,731	6,769
Cemetery	<u>1,500</u>	<u>1,500</u>	<u>1,388</u>	<u>112</u>
Total general government	<u>89,815</u>	<u>89,815</u>	<u>85,231</u>	<u>4,584</u>

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
EXPENDITURES				
(CONTINUED)				
Current:				
Public safety:				
Police-contracted	17,500	12,222	10,000	2,222
Liquor fees	1,000	1,000	938	62
Fire department	38,800	38,800	28,849	9,951
Inspectors & zoning administration	8,500	8,500	11,270	(2,770)
Inspectors training & supplies	<u>8,500</u>	<u>13,736</u>	<u>2,153</u>	<u>11,583</u>
Total public safety	<u>74,300</u>	<u>74,258</u>	<u>53,210</u>	<u>21,048</u>
Public works:				
Solid waste	88,000	88,000	73,639	14,361
Water study	5,000	5,000	17,247	(12,247)
Roads & drains	33,045	33,045	39,881	(6,836)
Street lights	<u>3,300</u>	<u>3,300</u>	<u>3,336</u>	<u>(36)</u>
Total public works	<u>129,345</u>	<u>129,345</u>	<u>134,103</u>	<u>(4,758)</u>
Health & welfare:				
Health center	<u>800</u>	<u>800</u>	<u>228</u>	<u>572</u>
Community/economic development:				
Planning commission	<u>2,500</u>	<u>2,500</u>	<u>2,145</u>	<u>355</u>
Culture & recreation:				
Parks	<u>2,000</u>	<u>2,000</u>		<u>2,000</u>
Other:				
Miscellaneous	1,700	1,700	1,677	23
Payroll taxes	4,500	4,542	4,542	
Capital outlays			<u>14,966</u>	<u>(14,966)</u>
Total other	<u>6,200</u>	<u>6,242</u>	<u>21,185</u>	<u>(14,943)</u>

Township of Albee
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual
For the Year Ended March 31, 2008
(Continued)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>with</u>
				<u>Final</u>
				<u>Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Total expenditures	<u>370,952</u>	<u>370,952</u>	<u>364,177</u>	<u>6,775</u>
Excess of revenues over expenditures	<u>(83,502)</u>	<u>(83,502)</u>	<u>(50,532)</u>	<u>32,970</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	88,000	88,000	107,000	19,000
Transfer (out)	<u>(33,820)</u>	<u>(33,820)</u>	<u>(39,000)</u>	<u>(5,180)</u>
Total other financing sources and uses	<u>54,180</u>	<u>54,180</u>	<u>68,000</u>	<u>13,820</u>
Net change in fund balance	<u>(29,322)</u>	<u>(29,322)</u>	<u>17,468</u>	<u>46,790</u>
Fund balance-beginning	<u>29,322</u>	<u>29,322</u>	<u>79,186</u>	<u>49,864</u>
Fund balance-ending	<u>\$</u>	<u>\$</u>	<u>\$ 96,654</u>	<u>\$ 96,654</u>

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

Members of the Township Board
Township of Albee
Saginaw County, Michigan

My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

Comments and Recommendations

The Township has a travel policy that requires township employees and board members to document their mileage before reimbursement is made. It has been noted that the building inspector does not in all cases provide a record of the miles that are driven. I recommend that before payment is made to any township employee or board member, that written documentation be submitted to support the travel expenses.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

Barry E. Gaudette, CPA, P.C.

June 24, 2008